DOCUMENT RESUME

ED 357 116 UD 029 192

AUTHOR King, Kim; Ramirez, Elizabeth Weiser
TITLE School Finance: Many Questions, Elusive Solutions.
INSTITUTION ASPIRA Association, Inc., Washington, DC. National Office.
SPONS AGENCY Anheuser-Busch Companies, Inc., St. Louis, MO.
PUB DATE 92
NOTE 8p.
AVAILABLE FROM Publications, ASPIRA Association, Inc., National Office, 1112 16th Street, N.W., Suite 340, Washington, DC 20036 (first copy free, additional copies $0.50 each).
PUB TYPE Information Analyses (070) -- Collected Works - Serials (022) -- Viewpoints (Opinion/Position Papers, Essays, etc.) (120)
JOURNAL CIT ASPIRA Issue Brief; 1992

EDRS PRICE MF01 Plus Postage. PC Not Available from EDRS.
DESCRIPTORS Bilingual Education; *Economically Disadvantaged; Educational Change; *Educational Equity (Finance); Educational Finance; Elementary Secondary Education; Equal Education; Federal Aid; *Finance Reform; Financial Policy; *Hispanic Americans; *Public Schools; School Districts; *School Funds; State Aid; Urban Education
IDENTIFIERS Hispanic American Education; Hispanic American Students; *Latinos

ABSTRACT

This brief reviews and analyzes issues surrounding public school financing, particularly for Latino communities and elementary school and secondary school education. A review of the current legal debate notes that there have been legal challenges to school financing since 1967, and that rulings have indicated that government has a responsibility in appropriating funds to education. A section on how schools are funded explains that generally 40 percent of funding comes from local revenue, 54 percent from state revenue, and 7 percent from the Federal Government. The brief goes on to look at school finance equalization, variations among states in funding levels and systems, and disparities between school districts. A further section discusses the significance of funding disparities and then their particular significance for Latinos who are one-tenth of the school population and heavily concentrated in urban areas. Later discussion reviews current school reform strategies and monetary reform approaches, including three recommendations for promoting educational equity in urban school districts: (1) more money for urban district schools; (2) better ways of calculating student needs; and (3) greater autonomy for poor schools given better financial support. This section also lists and discusses four considerations for funding formulas. (JB)

****
* Reproductions supplied by EDRS are the best that can be made *
* from the original document. *
****

ASPIRA® ISSUE BRIEF

School Finance: Many Questions, Elusive Solutions

ED357116

U.S. DEPARTMENT OF EDUCATION
Office of Educational Research and Improvement
EDUCATIONAL RESOURCES INFORMATION CENTER (ERIC)

☑ This document has been reproduced as received from the person or organization originating it.

☐ Minor changes have been made to improve reproduction quality.

• Points of view or opinions stated in this document do not necessarily represent official OERI position or policy.

"PERMISSION TO REPRODUCE THIS MATERIAL IN **OTHER THAN PAPER COPY** HAS BEEN GRANTED BY

J. Petrovich

TO THE EDUCATIONAL RESOURCES INFORMATION CENTER (ERIC)."

UD 029 192

BEST COPY AVAILABLE

ASPIRA® ISSUE BRIEF

School Finance: Many Questions, Elusive Solutions

The roots of school finance

Recent international rankings of public spending on education show that the United States is by no means in the top. In fact, the country ranked thirteenth in comparison with twenty-three other wealthy industrialized nations (*The Washington Post,* Sept. 24, 1992). In addition to school choice and national testing, school financing is among the top issues of recent debate among political and educational leaders.

School finance has become the focus of state and local battles for equity in funding between poorer and wealthier schools. Large inequities between urban and suburban per pupil expenditures are spurring action on this issue. Some argue that research shows that money is not the answer to improving student achievement. Advocates say that without proper allocation of money and resources, the nation's schools, especially those in urban areas, will continue to produce unskilled and unqualified workers for tomorrow's competitive markets. Although poorer families are clustered in resource poor schools, school finance advocates claim that overhauling the system we use to finance our schools will benefit all students, not just those most in need.

The legal debate

The legal debate over adequate and equitable financing has raged for over two decades, with no resolution in sight. Legal challenges to state finance systems date as far back as 1967 and continue on to the present. Recent challenges include:

- a suit filed by districts with low per-pupil expenditures against the state of New Jersey that resulted in a new statewide school finance law,
- a similar suit filed in Los Angeles that resulted in a consent decree of equal per pupil expenditure across the district, and
- a suit brought against the state of Tennessee that resulted in a ruling which was not favorable to poor districts.

The rulings in these cases are significant because they provide a clear indication that the government has a responsibility in appropriating funds to education. More importantly, these opinions provide insight into how the government of each state sees its role in this debate. The Tennessee court ruled in the case of *Tennessee Small School Systems v. McWherter* that the state has no duty to mend funding inequities between districts and no obligation to set standards. At the other end of the spectrum is the Los Angeles consent decree, a result of the case *Rodriguez v. LA Unified.* In this instance, the district agreed that all 800 schools are to receive the same per pupil expenditure by 1997-98. Other requirements include a cap on enrollment to reduce overcrowding and an end to poorer schools being assigned the least experienced teachers. In 1990, the New Jersey Supreme Court handed down a decision stating that urban districts were to receive more state aid than suburban ones because disadvantaged students' needs were more costly.

An opinion issued by a Kansas district court judge presiding over such a case during the winter of 1992 concluded that every child in a public school has a fundamental right to equal opportunities in education. In that regard, the state has the legislative duty to deliver that education and those opportunities to the child through funding. Although money is not the final duty of the legislature, it is an imperative one.

How schools are funded

A breakdown of the existing school finance system across states is as follows: 40% of funding comes from **local revenue**, 54% from **state revenue**, and roughly 7% from the **federal government**.

WDod 9/92

1992, The ASPIRA Association, Inc. ASPIRA was founded in 1961 to promote education and leadership development and to advocate on behalf of Puerto Rican and Latino youth.

The most common form of **local revenue** to finance schools is the property tax. The idea of using the property tax as a source of local revenue is a result of neighborhood residents wanting "local control" over their schools. User fees for services and facilities such as bus service and after-school centers are another type of local revenue. Local revenue also includes money provided to the local educational agencies (school districts) by county or city governments. These funds are not restricted to specific educational services or types of pupils.

State revenue is raised primarily from personal income and retail sales taxes. Other state taxes include excise taxes on tobacco products and alcohol, estate, gift and severance taxes. In several states, this revenue is also derived from state lottery systems. These funds include both unrestricted and targeted funds.

Federal revenue, though it only amounts to a small percentage of school funding, is of particular concern to urban districts because of the programs targeted by this money. Most of these programs serve large numbers of disadvantaged and minority youth (such as Chapter 1, Drug Abuse Education, Chapter 2, Impact Aid, Bilingual Education, and programs for handicapped students), who make up the urban school population in increasing numbers.

Defining school finance equalization

There is no one transcendent definition of school finance equalization. An equal dollar amount spent on every pupil across district or state lines has never been heavily advocated for because the terms "per pupil" and "equal" have varied meanings. Special needs students, such as those with limited-English proficiency or handicaps, require a program that incurs higher costs than regular education.

But what does more money mean? For school finance advocates in Texas, it means an equal dollar allocation for each child across the state, with the exception of the wealthiest five percent of districts, who would receive less state funding. In New Jersey, it means providing more state aid to poorer districts so proper services can be delivered to special needs students. "Equality" is thus defined as the allocation of money to meet particular educational needs, not necessarily matching dollar amounts for students in poorer and wealthier districts.

Variations in funding between states

School finance issues are difficult to tackle on a nationwide basis because of great variations in funding levels that are a result of state per capita income, the priority of education in the state budget, the number of school age children in the state, and the methods of state allocation to local districts. For example, in 1986-87, the state of Wyoming spent $6229 per child and received 2.6% of this from the federal government, 41.1% from the state and 56.3% from local resources. In contrast, Mississippi spent $2534 per child, of which 16.5% came from the federal government, 54.9% from the state, and 28.6% from local resources.

Methods of State Aid to Local Districts

Flat Grant Model: The oldest, most inequitable method, flat grants are awarded based on a fixed amount multiplied by the number of students in attendance in the district. There is no consideration of special needs students, special programs, or wealth of districts.

Foundation Plan: The most common means of state aid distribution, this plan also does not count local tax wealth as a factor in allocations. However, it seeks to guarantee a *minimum* annual per pupil expenditure for all districts.

Power Equalizing Plan: Under this method, the state pays a percentage of local school expenditures in inverse ratio to the wealth of the district. This causes wealthier districts to receive less money.

Weighted Student Plan: Students are weighted (in proportion) against their special needs or special programs. This number determines the cost of instruction per student, with costs differing depending on the program in which a student is enrolled.

Disparities between school districts

For years, school finance inequities have been found among both urban and suburban districts. The most extreme disparities, though, have been found between urban districts with large numbers of disadvantaged students and wealthier, suburban ones. Why do these inequities exist?

BEST COPY AVAILABLE

1) There are problems with the funding allocated to urban districts:

- Reliance upon property taxes as a major source of school revenue results in disparity because taxing the property of wealthy citizens generates more revenue even though less affluent communities often tax themselves at a higher rate to try to obtain enough school funds;
- Decrease in new development in urban centers reduces property values which lowers tax revenues;
- Commercial real estate is often offered by city councils with tax exemptions, also reducing revenue;
- State budgets for education have not kept pace with inflation;
- Funds do not keep up with increased enrollment;
- When state aid is determined by Average Daily Attendance, urban schools lose out because of high absentee rates;
- Some states have attempted to ensure that more affluent districts do not receive less than poorer districts through "hold harmless" provisions;
- Recent trends in education focusing more on excellence and standards rather than financial equity have relegated the issue of money and its critical relationship to successful education to the end of the line.

2) Urban districts incur special additional costs:

- Desegregation expenses;
- Administrative/academic costs of high student mobility and high absentee rates;
- Disciplinary and special programs for addicted and pregnant students;
- Special programs for new student populations;
- Transportation;
- Vandalism;
- Maintenance on aging buildings;
- Food programs (breakfast, lunch, and sometimes a third meal).

Why do these disparities matter?

Disparities in funding are significant for several reasons. **First, less money means less resources available to students and teachers.** In subject areas such as science, lack of resources is critical because it can mean no lab equipment with which to conduct experiments. It may also very well mean no chalk for a teacher.

However, few studies have demonstrated a correlation between funding and achievement. José Cárdenas of the Intercultural Development Research Association suggests that one reason for this could be that most studies determine achievement by measuring basic skills. In reality, it is higher level, additional learning opportunities that students in wealthy districts receive disproportionately, and which all students now need to succeed in today's world.

Recently, a correlation has been found between lack of resources and low achieving students. A study conducted by the Educational Testing Service (ETS), *The State of Inequality*, found lower proficiency scores on the National Assessment of Educational Progress (NAEP) in those classrooms whose teachers reported a lack of adequate materials. Between forty and fifty percent of students surveyed in disadvantaged urban areas reported a lack of resources. In schools where poverty levels reached more than thirty percent, nearly sixty percent of the teachers had "some" or "none" of the instructional materials they needed (ETS, 1991).

The National Commission on School Finance to Meet the National Education Goals Act of 1993 is a bill introduced into the U.S. Congress to study financing issues. It notes, "[I]n the absence of alternative school finance mechanisms with adequate and adequately structured resources, the hope of national education goals, national assessments, and a host of other reform alternatives are in jeopardy of foundering on good intentions and rhetoric" (S. 407, Sec. 2(8)).

Second, disparities in per pupil expenditures can be extreme between districts. For example, the per pupil expenditure for New York City schools in the 1989-90 school year was $7299, compared to $15,594 in Great Neck, an affluent suburb on Long Island. This

This **Issue Brief** was written by Kim King and Elizabeth Weiser Ramírez under the direction of Janice Petrovich for the ASPIRA Association, Inc., National Office. This document was produced by the ASPIRA Institute for Policy Research, which receives core funding from the Anheuser-Busch Companies.

is due in part to disparities in property taxes and wealth distribution.

Third, in urban areas, school funds are not only used for classroom needs but for social service needs as well. Today's urban schools not only deal with increased crime and violence but also with students whose home lives include poverty or homelessness, many forms of abuse, alcoholic or drug addicted parents, a child of their own, and possibly even AIDS. Child advocates argue that such backgrounds warrant use of extensive social services through the school system. The urban school, to a large degree, is no longer solely an academic environment but also a provider of various social services and programs.

"History has shown economics to be a major determinant of school performance, and today it is no different. It's not that urban schools are bad . . . Urban schools are forced to deal with a variety of social and cultural issues that never cross the desks of suburban teachers and administrators." (The Council of the Great City Schools, September 22, 1992)

Why are Latinos particularly affected by these inequities?

According to the U.S. Department of Education, Latino students comprise one out of every ten elementary and secondary school students in the United States. At least ninety percent of all Latino students attend schools in urban areas (Children's Defense Fund, 1990). This concentration of Hispanics in cities is one reason why they are so affected by financial disparities in education. Between 1968 and 1986, the white student population in public schools decreased by sixteen percent, while the Latino student population grew by one hundred three percent. Latino students now attend more segregated schools that African American students do.

More than one-third of Latinos attend schools that lack proper resources. As was mentioned above, the higher the concentration of poor children in a school, the more likely the teachers are to lack needed instructional materials; and 36% of Latino children live in poverty. Of all groups, Latino students have the lowest levels of academic achievement, which, given the above data, is not surprising.

How are Latinos affected by school funding inequities?

First, programs that enroll large numbers of Latinos, such as Bilingual Education and Chapter 1, continue to be inadequately funded. Appropriations for fiscal year 1993 include only a 0.2% increase for bilingual programs and a cut of 1.4% for Chapter 1 basic grants. As long as cuts such as these persist, poor services will continue to be provided. In addition, Latinos have been underrepresented in programs such as Head Start, Chapter 1 and TRIO, while they meet the eligibility criteria in large numbers.

Second, a dilapidated environment becomes a hinderance in the learning process for both students and teachers, yet lack of proper funding to urban schools does not allow for their repair. The average age of an urban school building is seventy-five years. Many of these structures are in dire need of repair, with ceilings caved in and bathrooms that do not function. According to the National Coalition of Advocates for Students (NCAS), "Without a systematic national effort to raise this urgent need for massive capital investment, schools are likely to continue to deteriorate. Surveys of state legislative personnel find that issues concerning physical facilities rank last among education priorities" (NCAS, 1991).

The disturbingly high dropout rate among Latino students has been cause for great concern among educational and Hispanic leaders. The dropout rate nationally for Latinos in 1991 was thirty-five percent, almost three times higher than the national norm. An unwelcoming school environment has been cited by students themselves as one reason for why they leave school. Boredom—another reason given—may arise from a lack of appropriate classroom resources to capture students' attention and effectively communicate lessons.

Many disadvantaged students are well aware of the disparities that exist between their school and others, and thus feel neglected by the system. Jonathan Kozol, in his book *Savage Inequalities*, quotes one student, "People on the outside may think that we don't know what it's like for other students, but we visit other schools and we have eyes and brains. You cannot hide the differences. You see it and compare."

School reform strategies

Since the most recent school reform movement began in 1983, there has been great reluctance to address the issue of inequitable school financing. "More money isn't the solution" has been heard so often in the past decade that it has become a truism for some education professionals. The most commonly offered alternative to address the disparities between districts is school reform. The appeal of this reform is that the changes it envisions are not monetary reforms but ideas that are supposed to help schools manage their money more efficiently and implement programs more effectively. Some of the most popular school reform ideas of recent interest include school choice, school-based management, national education standards and assessments, and a strengthening of school and community links.

Monetary reform strategies

While some argue that educational improvement is not a question of money, evidence points to the reality that urban schools are not receiving adequate funds for needed resources. Carol Ascher of Columbia University's Teacher College has analyzed recent research on school financing, summarized the findings, and developed three major recommendations to promote educational equity in urban schools districts:

- **More money.** It has already been established that disadvantaged students' needs are more costly than those of mainstream students. As an example, Ascher discusses details of a proposal by the Carnegie Foundation for the Advancement of Teaching to direct federal money to the largest 100 school districts through a National Urban Schools Program. The money would be used for all aspects of educational improvement including curriculum, administration, and teacher "renewal." Loans would also be available to update technology and laboratories and to renovate or relocate school buildings.
- **Better ways of calculating student needs.** Ascher recommends amending the provision of state aid based upon Average Daily Attendance to also include actively enrolled students. She also recommends basing state aid distribution in part on the costs of educating disadvantaged students. As an example. the New York State Board of Regents recently approved an effort to implement a simplified state aid distribution scheme. The plan cuts the number of finance categories from fifty-three to three. One important category is that of "extraordinary-pupils-needs aid" which seeks to ensure that all students get a "basic" education. A third recommendation would take into account each school district's ability to levy taxes and pay for educational services.
- **Greater autonomy.** As the school reform debate focuses more heavily on regulating school outputs instead of ensuring equity in inputs, many school districts worry about a loss of creativity in setting the education program. Regulating a district's inputs, Ascher argues, would equalize "the capacity of poor districts to secure a sufficient and highly qualified teaching force, and . . . choose among curriculum and equipment options, just as wealthy districts do."

The National Coalition of Advocates for Students (NCAS), a national students' rights group, argues that funding formulas should be based on four important considerations:

- **The number of students.** This figure calculates the number of teachers, staff and the money needed for books, supplies, and other equipment.
- **Special needs of students.** This component takes into consideration schools' need for extra dollars when their populations include those with limited English proficiency, handicaps, etc.
- **Square footage of the building.** This number helps to determine how much money is needed to maintain the building and any repairs it may require.
- **Special programs.** These programs may be related to outside efforts such as desegregation or overcrowding.

Despite the persistence of the school finance controversy, it is not near closure. Definitions of equity abound without concurrence by advocates around one common meaning. Lawsuits have been the principal vehicle used to force state legislatures to re-evaluate their systems; however, the intense rancor such lawsuits have produced in Texas and the overturning by wealthy districts of legislative changes made to benefit poorer districts in New Jersey are but two examples of the contentiousness of the issue. In an era of decreasing resources, can states increase revenues sufficiently to bring poor districts up to the level of wealthy districts? Is it equitable to take funds (or the ability to raise funds) away from wealthy districts who are doing well academically in order to provide poorer districts with more resources? These larger political questions have yet to be answered.

Conclusion

The school financing debate needs further, comprehensive study to develop common terms and potential solutions that are economically feasible and politically acceptable to the parties involved. Questions needing resolution include:

- What are the roles of federal, state, and local governments in ensuring equitable access to resources for education?
- What is the status of school finance reform efforts, judicially and legislatively, in each of the states?
- What local factors go into state and local districts' funding decisions?
- What alternative funding models—in other states, internationally, or in the research—might policy makers consider in finance reform?
- What does it cost to educate particular groups of children well, and what are the variations across the country?
- What are the specific funding-related factors that effect student achievement?
- What makes some communities more willing to tax themselves to raise education revenues?

In the end, doubt remains that per pupil expenditures across district and state lines will ever be equal. It is clear though, that as long as dramatic funding inequities relate to achievement gaps, per pupil expenditures will continue to be an important focus for those seeking equal educational opportunities.

For additional copies of ***School Finance: Many Questions, Elusive Solutions,*** *or ASPIRA's other publications in its* **Issue Briefs** *series,* ***Minority Scholarships: Affirmative Action or Reverse Discrimination?, National Testing: The National Debate,*** *and* ***School Choice: Pros, Cons, and Concerns,*** *write care of Publications at the ASPIRA National Office. One copy is free, additional copies or additional titles are 50¢ per copy. You may also request further information on other ASPIRA publications or on the ASPIRA quarterly newsletter.*

ASPIRA Association, Inc.
National Office
1112 16th Street, NW, Suite 340
Washington, DC 20036

Nonprofit
Organization
U.S. Postage
PAID
Permit #1531
Washington, D.C.

BEST COPY AVAILABLE